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September 19, 2007

Docket Control  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

RE: PALO VERDE OUTAGE REPORT  
DECISION NO. 69663  
DOCKET NO. E-01345A-05-0816, E-01345A-05-0826, E-01345A-05-0827

Dear Sir or Madame:

Pursuant to Decision No. 69663, enclosed please find the Company's initial Outage Report for planned or unplanned outages at the Palo Verde Nuclear Generating Station.

If you have any questions, please call Jeff Johnson at 602-250-2661.

Sincerely,

Barbara Klemstine

BK/bgs

cc: Brian Bozzo  
Ernest Johnson

Arizona Corporation Commission  
DOCKETED

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**OUTAGE REPORT  
PALO VERDE NUCLEAR GENERATING STATION  
PURSUANT TO DECISION NO. 69663**

Type of Outage: Planned (Unit 1 Refueling)

Date(s) of Outage: May 19, 2007 through July 19, 2007

Duration of Outage: 61 days

Description of Outage:

The Unit 1 Refueling Outage scope included routine refueling and major projects including full structural weld overlay on select pressurizer and reactor coolant nozzles, upgrades on the refueling machine and transfer equipment, first time implementation of the containment sump modification, inspections on Reactor Coolant Pump 2B, overhauls and replacements of several key pumps and/or motors, significant check valve disassembly and inspection, and safety injection vent valve modification. The outage scope was expanded to include emergent maintenance and repair work as a result of events occurring and findings identified during the outage.

Root Cause of Outage (if determined): Not Applicable

Replacement Net Fuel and Purchased Power Costs Incurred as a result of Planned Outage:

\$14.4 million

Amount of Reduced Off-System Sales as a result of Outage: Not Applicable

Lost Opportunity Sales Margins as a result of Outage: Not Applicable